

Legislative Affairs Manager

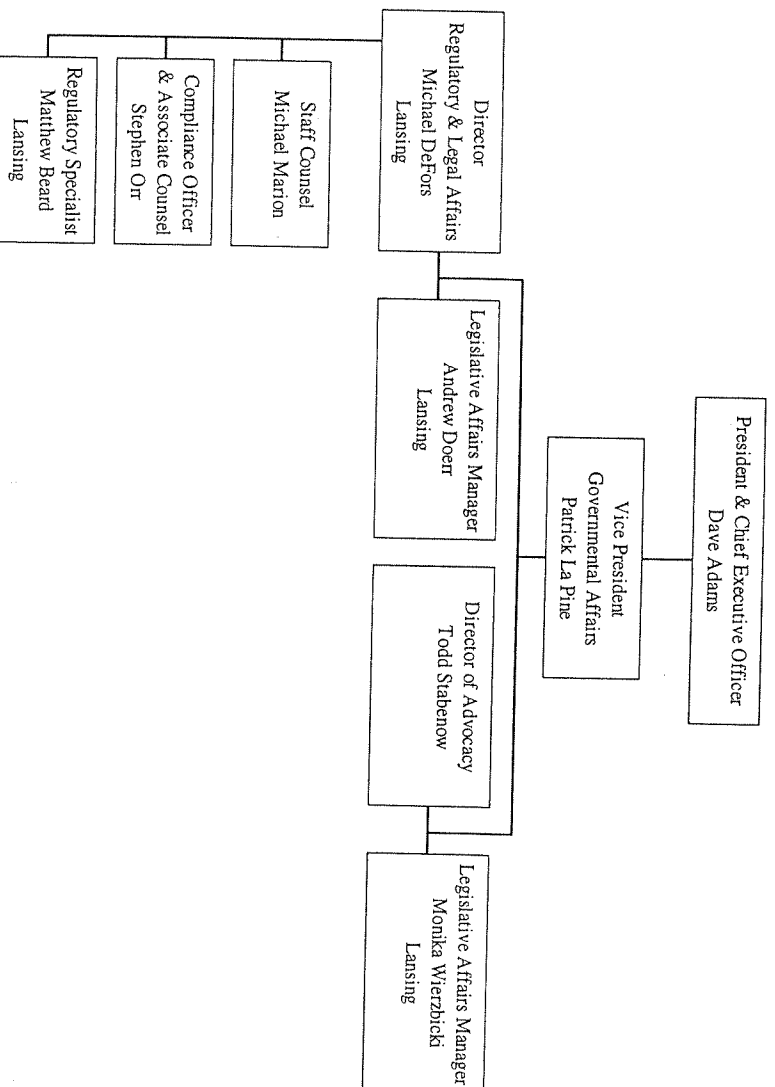
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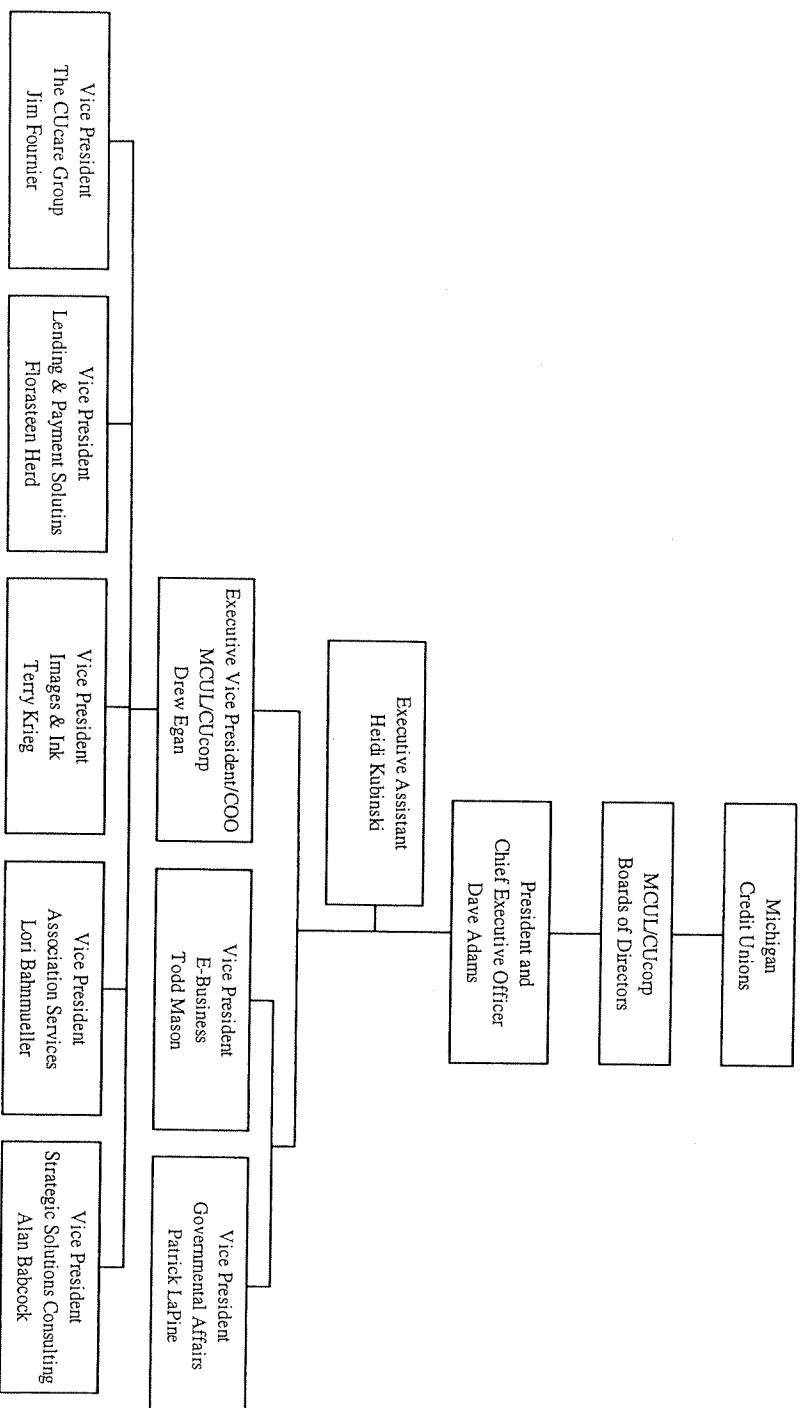
MICHIGAN CREDIT UNION LEAGUE

Government Affairs
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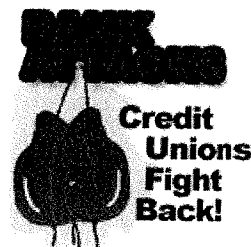


MICHIGAN CREDIT UNION LEAGUE/CUcorp

Executive Management



Michigan Congressional Delegation Credit Union Tax Statements of Support



Hoekstra

U.S. Rep. Pete Hoekstra (R-Holland) – “Soon after this suggestion was made, U.S. Department of the Treasury Secretary John Snow remarked to credit union representatives, ‘I understand you are for service and not for profit, which is the fundamental reason why this talk of taxation of your industry, and what you do, is something we oppose,’”

Hoekstra wrote. “I share the secretary’s sentiments and recognize the unique design and important role credit unions play. “Revoking the tax-exempt status of credit unions would constitute an increase in taxes upon the millions of Americans who are members of credit unions. Please be assured I will not support policies that will harm credit unions or their members.”



Kildee

U.S. Rep. Dale Kildee (D-Flint) – “I have always been a strong proponent of credit unions and I have worked hard to protect their tax exempt status. Credit unions are unique because they are non-profit financial cooperatives that are owned by credit union members. Unlike large banks, credit unions are not driven by profit and they do not have to pay

shareholders, instead the excess income is passed onto credit union member’s directly in the form of better financial services and benefits,” said Congressman Kildee. “Eliminating the tax exempt status of credit unions would have a devastating impact on its members because they would be forced to pay higher fees, higher loan rates and they would have lower savings dividends. We should not even consider changing the tax exempt status of credit unions.”



Knollenberg

U.S. Rep. Joe Knollenberg (R-Bloomfield Hills) – “I strongly support credit unions’ tax exempt status and believe we should not impose taxes on credit unions and their members. As we look at our economic growth, it is clear credit unions have played an integral role. Their presence in our communities have provided needed financial

opportunities to small businesses, families and workers. Clearly, credit unions’ tax-exempt status should not be repealed or altered. Be assured I will continue to oppose any effort that removes credit unions’ tax exempt status.”



McCotter

U.S. Rep. Thaddeus McCotter (R-Livonia) – “As an integral pillar of the financial community, credit unions must retain their vitality and continue providing for the opportunity and prosperity for all Americans. I will never vote to rescind credit unions’ tax exempt status, because it would constitute an increase in taxes and a decrease in opportunities for working families and entrepreneurs.”



Sander Levin

U.S. Rep. Sander Levin (D-Royal Oak) – “I strongly support credit unions and the vital services they provide to millions of American consumers. I am concerned that some in Congress have suggested re-examining the tax-exempt status of credit unions. I believe such a re-evaluation is unnecessary and unwise. At this point, the Chairman of

the House Ways and Means Committee has not scheduled hearings on the issue. As a Member of the Committee, I will continue to follow this situation closely and work with the Michigan Credit Union League.”



Stabenow

U.S. Sen. Debbie Stabenow (D-Mich.) – “Taxing credit unions would be detrimental to the health of these institutions and particularly harmful to the consumers who belong to credit unions. I will oppose this re-examination effort and will continue to support credit unions’ tax-exempt status. As a 20-year member of the State Employees Credit

Union, I have experienced first-hand the important services that credit unions offer their members.”



Levin

U.S. Sen. Carl Levin (D-Mich.) – “I support service-oriented, not-for-profit, member-owned credit unions, and support their current tax-exempt status, which is based on the fact that the benefits are passed along to their members rather than a profit center. I supported this tax-exempt status when it came before the Senate in 1998, and

I would oppose future attempts to change it. I have seen personally and very much appreciate the member-focused services that credit unions provide.”

Michigan Congressional Delegation Credit Union Tax Statements of Support



Ehlers

U.S. Rep. Vern Ehlers (R-Grand Rapids) – "Credit unions have enjoyed tax-exempt status because they are designed to serve limited credit and savings needs of their members, especially 'people of modest means' . . . I think that credit unions should keep their tax-exempt status, so long as they continue to meet the financial

service needs of these members and do not lose sight of their unique role when seeking to diversify and expand."



Conyers

U.S. Rep. John Conyers (D-Detroit) — "I support the tax-exemption status for credit unions. I have always been an advocate for those in need and will vigorously support the tax-exempt status for credit unions which aid those in need in Michigan. Individuals have a 'voice' as members of a credit union and as such I am pleased to join this effort.

Credit unions are not-for-profit entities and should not be taxed."



Camp

U.S. Rep. Dave Camp (R-Midland) – "Like you, I believe revoking the tax-exempt status of credit unions could impose additional tax burdens on millions of Americans who belong to credit unions. Please be assured I will not support policies that disadvantage credit unions or their customers."



Dingell

U.S. Rep. John Dingell (D-Dearborn) — "It is no mere coincidence that the birth of the modern American middle class coincided with the growth of credit unions. Historians highlight government programs like the GI Bill, government student loans, and the War on Poverty as major reasons why America has more homeowners, more business own-

ers, more college graduates, and the largest middle class in the world. I know credit unions deserve their place of distinction as well. For generations, the average American citizen was shut out of banks. The average American couldn't maintain an account, save for a rainy day, send a child to college, or get a mortgage. Credit unions changed all of that. Finally, there was an institution that served whole communities, by taking care of each individual customer. The customer is a member, not just an account. I will continue to be a supporter and a friend of credit unions and their members."



Stupak

U.S. Rep. Bart Stupak (D-Menominee) – "I have a long history of supporting credit unions. I appreciate your work to provide your members with lower interest loans, higher interest savings accounts and other financial services. This investment is in each other, rather than profit, pays dividends for your members and your communities.

Your tax-exempt status needs to be protected, and I will not support any attempts to remove that status. Rest assured, I look forward to continuing to work closely with Michigan's credit unions in the future."



Kilpatrick

U.S. Rep. Carolyn Kilpatrick (D-Detroit) – "As a long-time supporter of credit unions, I appreciate the alternative they provide to millions of Americans for their personal finance management. For the most part, credit unions survive because of a large network of volunteers and satisfied consumers. Because they target their

services to those who struggle to make ends meet, and because they are a not-for-profit institution, they are deserving of their tax-exempt status."



Miller

U.S. Rep. Candice Miller (R-Harrison Township) — "Credit unions play a vital role in promoting strong communities throughout Michigan. That is why I strongly support maintaining the credit unions' tax-exempt status. The idea of taking away the tax-exempt status is simply a tax increase on families and small

business. That is the exact wrong way to go in the effort to continue strong economic growth. I am committed to doing everything I can in the United States Congress to protect the tax-exempt status of our credit unions."

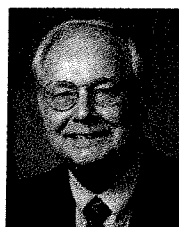
Michigan Congressional Delegation Credit Union Tax Statements of Support



Rogers

U.S. Rep. Mike Rogers (R-Brighton) –

"Today, credit unions hold a unique and crucial place in the nation's financial system. Due to their standing and effectiveness in serving the needs of their members, I am particularly cautious about altering the tax and regulatory scheme that has long served them, and the nation, well."



Schwarz

U.S. Rep. Joe Schwarz (R-Addison) —

"The credit union concept advising citizens about their personal finances and helping working Americans reach their financial goals, is wholly admirable. I have been and will continue to be a strong supporter of credit unions. They are an integral part of the economic structure of this country. By helping

people learn how to start small businesses, to buy a home, or to simply get their fiscal house in order, credit unions are central to the well being of America. I am in full support of the tax exempt status of credit unions."



Upton

U.S. Rep. Fred Upton (R-St. Joseph)

— "As a longtime credit union member and past recipient of the MCUL Legislator of the Year Award, I know firsthand the value of having strong credit unions throughout our state. "I have always opposed changing the tax code to unfairly tax credit unions - period."

Michigan Credit Union League

Presented by Patrick La Pine
Vice President of Governmental Affairs

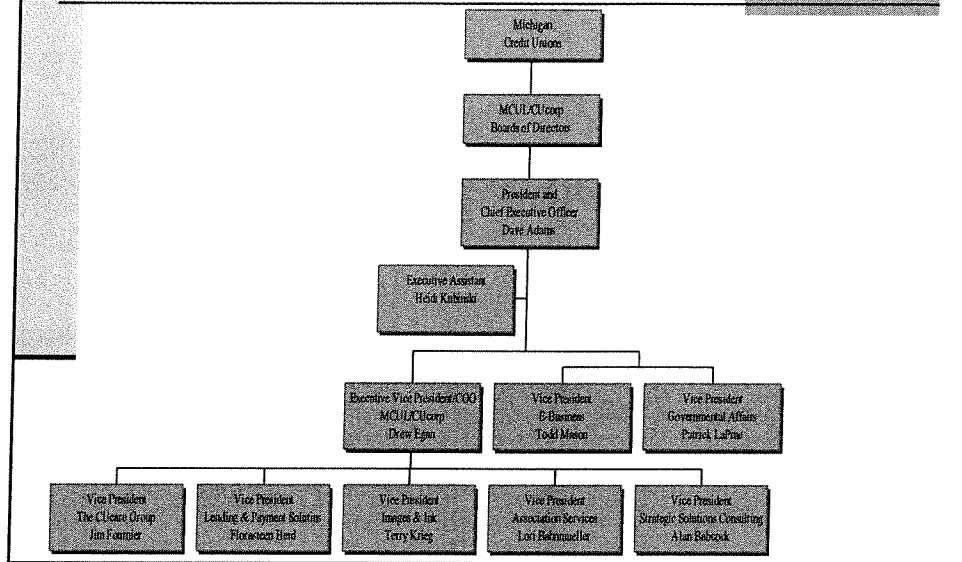
House Banking and Financial Services Committee
February 23, 2005

Michigan Credit Union League (MCUL)

- The MCUL is the premier statewide trade association representing credit unions in Michigan.
- The League currently represents 380 or 92% of the state's 413 credit unions.
- The MCUL is based in Northville Twp. with 114 employees.
- To better serve its member credit unions, the League also maintains a Lansing Government Affairs Office.
- The MCUL is affiliated with the Credit Union National Association (CUNA).

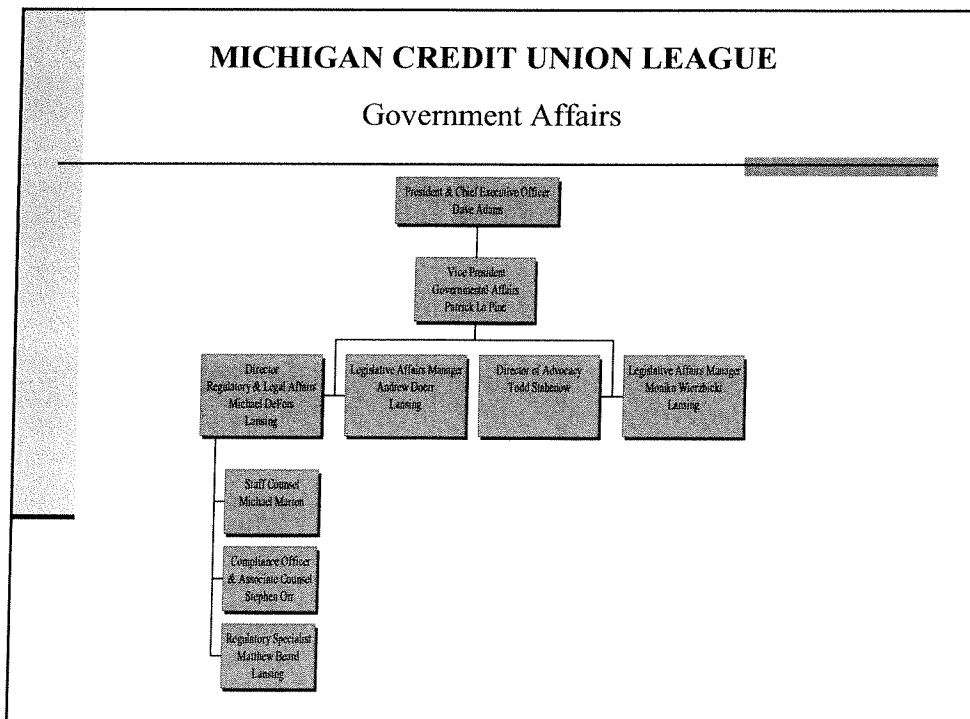
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MICHIGAN CREDIT UNION LEAGUE

Government Affairs



Credit Unions by the Numbers

- Number of credit unions in Michigan – 413
 - 258 State chartered
 - 155 Federally chartered
- Credit union members – 4.4 million

- Number of credit unions nationally – 9,381
 - 5,661 State chartered
 - 3,720 Federally chartered
- Credit union members – 85 million

What is the Credit Union Difference?

- **Not-for-profit**
 - Credit unions are not-for-profit financial cooperatives.
 - They exist to serve members, not make a profit.
 - They do not issue stock or pay dividends to outside stockholders.
 - Instead, earnings are returned to members in the form of lower loan rates, higher interest on deposits, and lower fees.

Ownership

- ## Volunteer Boards

- 4

What is the Credit Union Difference?

- **Membership Eligibility**
 - People qualify for a credit union membership through their employer, organizational affiliations like churches or social groups, or a community-chartered credit union.

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What is the Credit Union Difference?

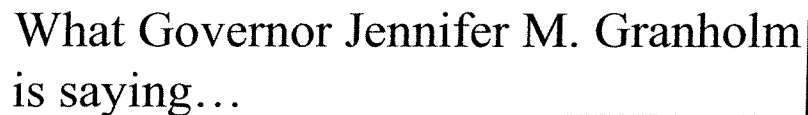
■ Taxation

- Credit unions do pay taxes – payroll taxes, property taxes and SCUs pay Michigan sales tax.
- Congress exempts CUs from federal income taxes.
- The exemption was established in 1937, affirmed by statute in 1951 and re-affirmed in 1998.
- Michigan state chartered credit unions are exempted from the Single Business Tax (SBT).
- The Michigan Legislature reaffirmed its support for the credit union tax exemption last session with the passage of legislation to modernize the Michigan Credit Union Act (MCUA).

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“By increasing lending opportunities to small businesses, families and workers, credit unions are contributing to our economic recovery and increasing opportunities in our communities. I support strongly the tax exempt status of credit unions, and will continue to highlight the important contributions that credit unions make to our financial system.”



“As a long-time supporter of credit unions, and having a firm belief in the vital role that they play in the financial services industry, I lend my support to your efforts to preserve the current status of credit unions as not-for-profit financial institutions.”

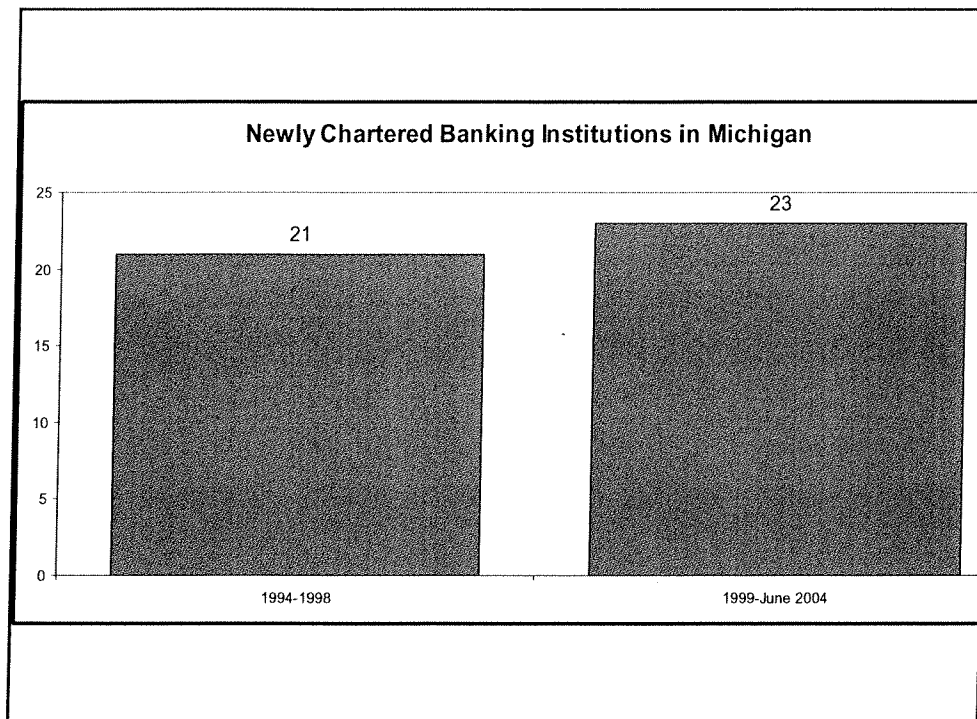
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The Tax Fight:

Unanimous and Bipartisan Support from Michigan's Delegation

- Total credit union assets - \$31 billion
- CU market share/assets – 13%
- Total bank assets - \$200 billion
- Bank market share/assets – 87%

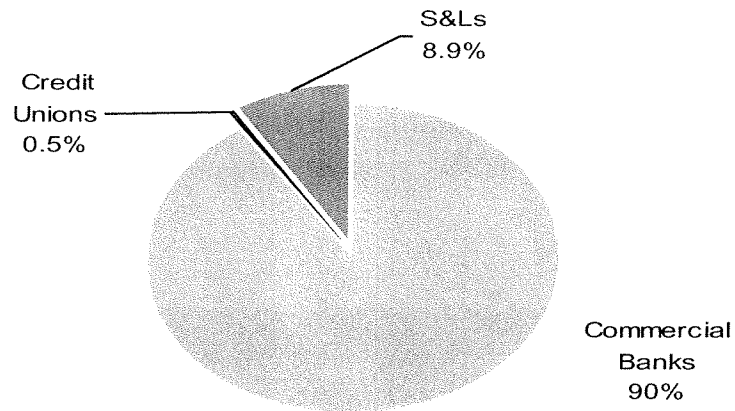
- Average size of a credit union - \$72 million
- Average size of a bank - \$1.1 billion



Credit Union Commercial Lending

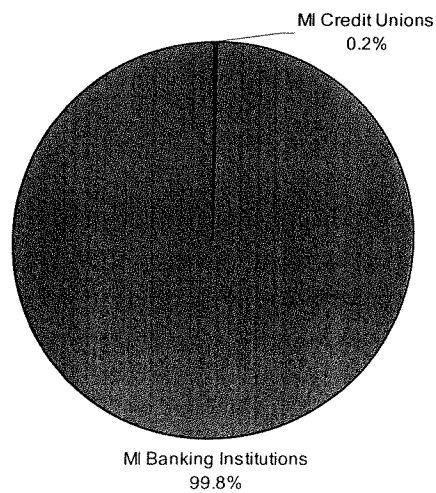
- Under federal law, credit union member business loans (MBLs) are capped at 12.25% of assets.
- The number of credit unions engaged in MBLs in 2003 is nearly identical to the number in 1995.
- According to the NCUA, the average size of a credit union MBL at year-end 2003 was \$120,851.
- However, 59% of credit union loans made for business purposes were \$50,000 or less.
- Nationally, commercial banks control 90% of the commercial loan market.
- In Michigan, commercial banks control 99.8% of the commercial loan market.

**Commercial Loan Market Share
At U.S. Depositories Year-End 2003**



Source: NCUA, FDIC.

**Michigan Market Share of Business-Related Loans
June 2004**

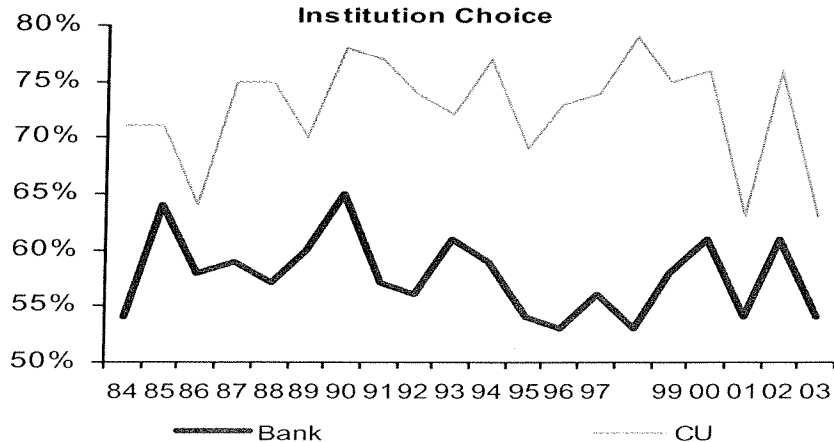


Service to our Members



- Credit union members believe that credit unions do a great job of providing products and services they need.
- Indeed, credit unions have outpaced other financial institutions by a wide margin in every *American Banker* customer satisfaction survey since 1984.

CUs "Beat" Banks in Every Survey Since 1984!
Percentage of Customers "Very Satisfied" By Institution Choice



Source: American Banker / Gallup Consumer Surveys

- Credit unions are committed to serving members of modest means as well as those in underserved areas.
- HMDA data consistently shows that low income and minority borrowers in the market for a mortgage are substantially more likely to be approved for a loan at a credit union.



MICHIGAN CREDIT
UNION ACT
Modernization

- ## MCUA Modernization Highlights

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- Home page
- Site index
- View the front page
- Weather
- Lottery
- Comics
- Photos
- Movie listings
- Restaurant guide
- Search
- Archives
- Death notices
- Personals
- Auto news
- Newspaper subscriptions
- About the Free Press
- Free Press Jobs Page
- Bookstore

The Grand Rapids Press



Fair to banks, credit unions ; State should update laws, keep competitive balance

Banks object mainly to a provision that would let a state- chartered credit union's board of directors decide its field of membership, which is the consumer group that a credit union serves. Under current law, those decisions are made by Ms. Watters, the commissioner of the state Office of Financial and Insurance Services (OFIS). While expansions are common -- Michigan has credit unions that serve multiple counties or 20 or more different groups -- they are made only after credit unions submit demographic evidence that the proposed customers share some common bond, whether the same church, employer, trade, neighborhood, personal relationship or other link.

The reform would simplify the process. Changes in field of membership would still have to be OK'd by the commissioner, but the criteria would be the financial soundness of the credit union and the safety of the expansion. The state's finance regulators would be removed from a demographic analysis role for which they are ill suited.

Understandably, banks complain that credit unions are doing the work of banks and, with simplified expansion rules, more of them would be competing with banks. That's unfair, the banks say, because credit unions don't pay the state and federal business taxes that banks must pay.

The other side, however, is that banks make profits; credit unions must be non-profit. Also, they cannot raise money by selling stock, their commercial loan activity is capped by law and they can offer no trust services. Credit unions' boards of directors serve without pay.

Michigan Credit Union League

QUESTIONS?

